
Financial Plan and Fund Structure

Recent months have highlighted both the continued financial improvement of the District and the challenges it faces in maintaining balanced budgets. The FY 2005 Proposed Budget and Financial Plan similarly reflects the outcome of difficult choices that have been made, and will be required on an ongoing basis, to achieve fiscal balance.

At the end of January 2004, the District released its Comprehensive Annual Financial Report (CAFR), showing that FY 2003 was the seventh consecutive year of surplus. The audit of the District's finances again merited an unqualified ("clean") opinion. At the end of FY 1996, the District's fund balance showed nearly a \$500 million accumulated deficit; seven years later, it has a nearly \$900 million accumulated surplus--a turnaround of about \$1.4 billion.

The Wall Street bond rating agencies have recognized the District's improved financial status by upgrading the ratings on its debt. Two agencies--Standard & Poor's and Fitch--increased their ratings from BBB-plus to A-minus in June of 2003, and a third--Moody's--kept the rating the same but gave a positive outlook. These actions represent a vote of confidence for the District's financial prospects, and they come at a time when other jurisdictions are having their ratings downgraded.

With this good news, however, comes reminders of the ongoing pressures on the District's finances. Shortly after the release of the

CAFR, the Mayor and the Council of the District of Columbia agreed on a plan to resolve budget pressures for FY 2004. These budget pressures were concentrated in areas that have seen much of the expenditure growth in the past few years, such as the Human Support Services agencies. The solutions included allocating nearly all of the FY 2004 reserve funds and other available resources, unless the District receives supplemental appropriation authority.

Although revenues are projected to grow as the recent recession has given way to the beginnings of recovery, the District again faces challenges in presenting a balanced FY 2005 budget and a balanced financial plan for FYs 2006 through 2008. The projected FY 2005 surplus is even smaller than the FY 2003 surplus of \$32 million, which was less than one percent of the operating budget.

This chapter's primary focus is the financial plan for the General Fund operating budget, which displays the past year, the current year, the proposed FY 2005 revenue and expenditure budget, and projections for the next three years.

It then summarizes the fund balance positions for all the District's funds, including those outside the operating budget.

Revenues and Expenditures: Past and Future

The District has made a rapid turnaround from its deficit position in the mid-1990s (see figure 3-1). After three years of deficits ending in 1996, the District posted large surpluses in 1997 and 1998, with its fund balance becoming positive again in 1998. Five additional surpluses have followed, although surpluses in the past three years have been small relative to the size of the budget.

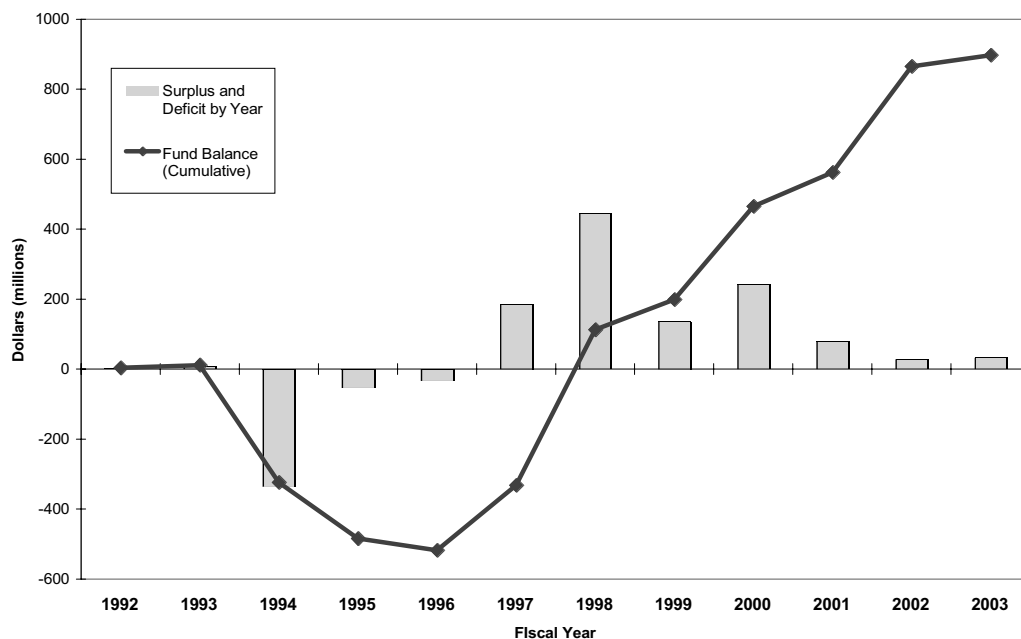
Similarly small margins are projected for future years. Revenues and expenditures grew rapidly in FYs 2000 and 2001, but they have slowed and are expected to continue to grow more slowly. Expenditure growth is expected to outpace revenue growth, when not counting revenue enhancements or use of fund balance (see figure 3-2). Revenue and operating expenditure trends are discussed in more detail in the respective chapters that follow this one.

Understanding the Financial Plan

The financial plan is a synopsis of past, present, and future activity related to the General Fund operating budget. The General Fund includes all revenues raised locally by the District, both Local funds—collected through taxes and general non-tax revenue sources such as fees and fines—and Special Purpose Revenue funds—certain fees collected by and dedicated to agencies for specific purposes through District legislation. Along with the full financial plan for the General Fund, which includes fund balance and reserve fund projections, shorter summaries of the Local and Special Purpose Revenue components of the plan are included.

The operating budget, the primary focus of this budget volume, includes the General Fund and the Federal and Private Resources Fund. The sum of activity related to the General Fund and the Federal and Private Resources Fund is sometimes called the District's "Gross Funds" budget. This chapter includes a financial plan for the Federal and Private Resources Fund. Finally,

Figure 3-1
General Fund Surplus/Deficit and Fund Balance, FY 1992 - FY 2003



other funds that capture financial activity related to the District are discussed after the presentation of the financial plan.

The General Fund financial plan covers six fiscal years:

- FY 2003 financial data from the CAFR;
- the FY 2004 approved budget and revised budget, with changes agreed to through February 2004;
- the FY 2005 proposed budget, the topic of the remainder of this volume; and
- projections of both revenues and expenditures for FYs 2006 through 2008.

The Chief Financial Officer certifies revenues periodically, and details on revenue trends and future estimates are included in the Revenues chapter of this volume. The financial plan includes the use of both current-year revenues and, occasionally, the use of fund balance—that is, accumulated funds from prior years—for one-time purposes. The plan also displays the effects of proposed revenue initiatives. Expenditures are projected based in part on past trends, and more details are in the Operating Expenditures chapter

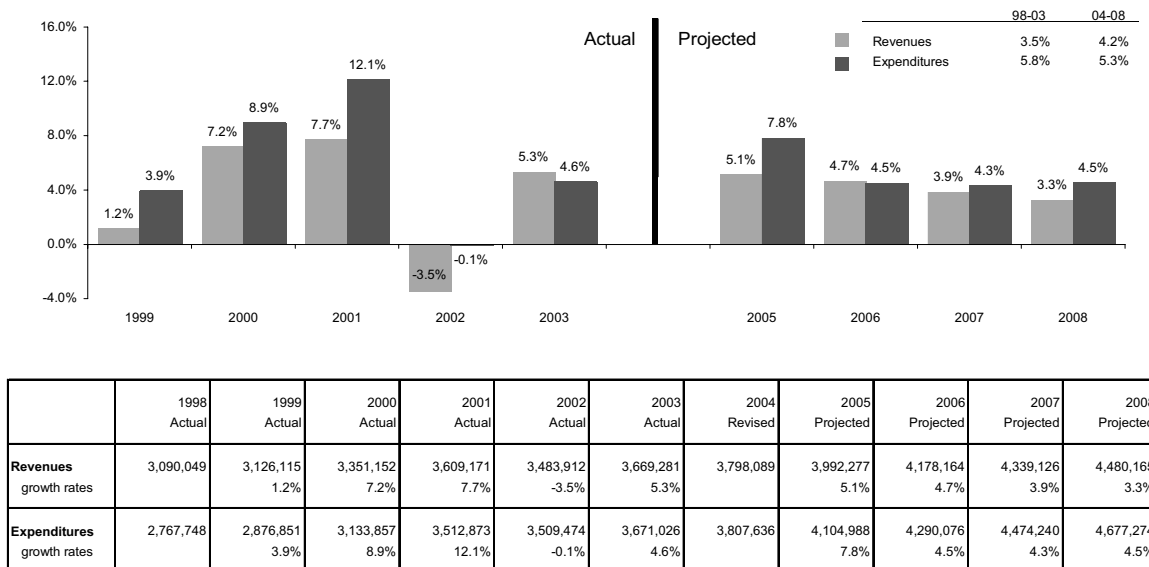
of this volume. The financial plan also includes assumptions about the use of reserves and other means of financing

The District uses the multi-year financial plan as a working tool throughout the fiscal year to monitor the impact of legislative proposals, programmatic initiatives, and economic changes on the District's near-term fiscal outlook. The plan is primarily a budget document, but it has aspects of an accounting document and a cash flow document. It includes projections of the effects of budget decisions on the fund balance, and it considers the maintenance of certain required reserve funds.

Below are line-item descriptions of the financial plan elements. For explanatory purposes, the plan is broken into four sections:

- revenues;
- expenditures;
- fund balance, Generally Accepted Accounting Principles (GAAP) adjustments, and transfers; and
- composition of fund balance.

Figure 3-2
Revenue and Expenditure Growth Rate Summary, Local Funds



This chart does not include Federal resources, private grants, or special purpose revenue funds.

Source for "Actual" revenues is Exhibit A-5 of the Comprehensive Annual Financial Report with some adjustments, such as the convention center tax transfer.

Source for "Actual" expenditures is Exhibit A-5 of the CAFR, with some adjustments.

Source for "Projected" revenues is General Fund Revenues less dedicated special purpose revenues in the General Fund Financial Plan (line 5 less line 3). This does not include resources that the District intends to spend against from revenue enhancements (line 7) or spending from the fund balance (line 6) or federal transfers (line 8).

Source for "Projected" expenditures is General Fund Expenditures less expenditures associated with dedicated non-tax revenues, reserves, or Grant Disallowances (line 25 less lines 3, 18, 19, 23, 24 and the special purpose revenue portion of line 6).

Revenues

Table 3.1
FY 2005 - FY 2008 Proposed Budget and Financial Plan: General Fund
(\$ thousands)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	Actual	Approved	Budget	Proposed	Projected	Projected	Projected	Projected
1 Taxes	2,362,174	2,368,915	2,441,211	2,528,739	2,622,249	2,719,086	2,819,086	2,919,086
2 General Purpose Non-Tax Revenues	215,780	289,200	288,672	292,447	294,499	295,940	296,200	296,200
3 Special Purpose (O-type) Revenues	164,125	191,942	191,942	208,624	212,823	215,152	218,448	218,448
4 Transfer from Lottery	22,000							
5 General Fund Revenues	2,764,079	2,850,157	2,921,825	3,030,210	3,133,591	3,230,378	3,333,734	3,433,734
6 Fund Balance Use	21,537							
7 Revenue Enhancements	0							
8 Transfer from Federal and Private Resources	0							
9 Total General Fund Resources	2,785,616	2,850,157	2,921,825	3,030,210	3,133,591	3,230,378	3,333,734	3,433,734
Expenditures (by Appropriation Title)								
10 Environmental Protection and Support	209,884							
11 Economic Development and Regulation	135,234							
12 Public Safety and Justice	659,479							
13 Public Education System	918,725							
14 Human Support Services	1,262,711							
15 Public Works	306,668							
16 Financing and Other	212,491							
17 Tax Increment Financing (TIF)	0							
18 Grant Disallowances	0	57,000	57,000	0	0	0	0	0
19 Cash Reserve (Budgeted Contingency)	0	50,000	50,000	50,000	50,000	50,000	50,000	50,000
20 Tobacco Trust Fund (Program Funds)	0	0	0	0	2,000	4,000	6,000	6,000
21 Tobacco Trust Fund (Investment Funds)	0	0	0	0	0	0	0	0
22 Operating Costs of Capital	0	0	0	0	0	0	0	0
23 Deposit into the Emergency Reserve Fund (4%)	0	0	0	15,000	2,231	7,365	7,365	7,365
24 Deposit into the Contingency Reserve Fund (5%)	0	0	0	2,201	2,241	15,100	5,200	5,200
25 Total General Fund Expenditures	3,886,322	6,672,272	6,586,621	6,682,681	6,887,686	6,788,186	6,888,186	6,888,186
26 Operating Surplus, Budget Basis	86,544	1,977,985	340,204	347,529	245,905	452,192	455,548	455,548
27 Replenishing General Fund Balance	86,544	867,367	867,367	790,867	679,961	679,961	679,961	679,961
28 Operating Surplus, Budget Basis	52,664	1,610	12,837	1,762	6,944	22,231	24,187	24,187
29 Projected GAAP Adjustments (Net)	(21,695)	(26,000)	(26,000)	(26,000)	(26,000)	(26,000)	(26,000)	(26,000)
30 Deposits into 4% & 5% Reserve Funds (From Fund Balance)	0	(31,600)	(31,600)	0	0	0	0	0
31 Deposits into 4% & 5% Reserve Funds (To Cash Reserve)	0	31,600	31,600	17,702	5,472	22,494	12,884	12,884
32 Unspent TIF Reserve	0	1,940	1,940	9,710	9,710	9,710	9,710	9,710
33 Fund Balance Use	0	(449,666)	(449,666)	(449,666)	(449,666)	(449,666)	(449,666)	(449,666)
34 Ending General Fund Balance	867,367	732,462	790,867	679,961	679,961	679,961	679,961	679,961
Composition of Fund Balance								
35 Emergency Cash Reserve Balance (4%)	149,629	162,091	162,091	178,591	181,822	189,188	196,322	196,322
36 Contingency Cash Reserve Balance (5%)	169,771	122,219	134,520	139,741	141,891	147,460	150,460	150,460
37 Fund Balance net in Emergency & Contingency Reserves	319,400	284,310	296,611	318,332	323,713	336,648	346,782	346,782
38 Ending General Fund Balance (Line 34)	867,367	732,462	790,867	679,961	679,961	679,961	679,961	679,961

1. Taxes. Includes property, sales, income, and other taxes, which are projected by the Office of Revenue Analysis. See the Revenue chapter for details.

2. General Purpose Non-Tax Revenues. Includes revenue from licenses and permits, parking and traffic fines, charges for services, interest income, and other revenue sources that are not dedicated to particular purposes. See the Revenue chapter for details.

3. Special Purpose (O-Type) Revenues. Special Purpose Revenues are O-type or other revenues from charges and fees that are collected and spent by the collecting agency. This pool is distinct from the non-tax revenue category above, which is part of the general pool of discretionary general fund revenue.

4. Transfer from Lottery. Reflects the portion of D.C. Lottery and Charitable Games Control Board revenue that is transferred to the District's general fund.

5. General Fund Revenues. The sum of lines 1 through 4.

6. Fund Balance Use. Includes funds that fell to the fund balance in a prior year but which the

District is proposing to use in the current year. In FY 2005, this includes \$80 million of Local funds and nearly \$110 million of Special Purpose Revenues that certain agencies have budgeted to spend from their accumulated fund balances. Beginning in FY 2006, this assumes that the unspent TIF reserve from the prior year (line 32) will finance the TIF budget item in the current year (line 17).

7a. Revenue Enhancements. Reflects policy changes to increase certain fees, enhance revenue collection efforts, and transfer funds from the Housing Production Trust Fund to Local revenues. These enhancements are discussed in detail in the Revenues chapter.

7b. Suspension of Tax Parity. Reflects a postponement of the next phase of the Tax Parity Act from 2006 to 2008.

8. Transfer from Federal and Private Resources. Reflects the movement of federal grant dollars into Local funds to pay for certain indirect costs. These costs were previously captured in Intra-District budgets but will be in the Local funds budget going forward.

9. Total General Fund Resources. The sum of lines 5 through 8.

Expenditures

	FY 2005	FY 2006	FY 2006	FY 2006	FY 2006	FY 2006	FY 2006
	Actual	Approved	Revised	Proposed	Proposed	Proposed	Proposed
Revenues							
1 Taxes	3,280,374	3,238,912	3,441,317	3,628,730	3,822,355	3,918,086	4,122,775
2 General Purpose Non-Tax Revenues	319,780	289,281	286,672	292,447	284,889	283,840	282,200
3 Special Purpose (0-Appx) Revenues	184,125	191,943	191,943	206,624	212,023	210,152	212,448
4 Transfer from Lottery	12,862	18,200	18,200	11,100	21,100	11,100	71,100
5 General Fund Revenues	3,807,141	3,808,336	4,008,132	4,208,901	4,346,467	4,423,178	4,688,523
6 Fund Balance Use	21,527	165,883	162,814	165,821	8,710	8,710	8,710
7 Revenue Enhancements	0	0	0	0	0	0	0
8 Transfer from Federal and Private Resources	0	0	0	0	0	0	0
9 Total General Fund Resources	3,828,614	4,034,219	4,170,946	4,374,722	4,355,177	4,431,888	4,697,233
Expenditures (by Appropriation Title)							
10 Governmental Direction and Support	228,884	228,884	228,884	228,884	228,884	228,884	228,884
11 Economic Development and Regulation	128,224	128,224	128,224	128,224	128,224	128,224	128,224
12 Public Safety and Justice	658,479	658,479	658,479	658,479	658,479	658,479	658,479
13 Public Education System	918,725	918,725	918,725	918,725	918,725	918,725	918,725
14 Human Support Services	1,262,711	1,262,711	1,262,711	1,262,711	1,262,711	1,262,711	1,262,711
15 Public Works	306,683	306,683	306,683	306,683	306,683	306,683	306,683
16 Financing and Other	322,491	322,491	322,491	322,491	322,491	322,491	322,491
17 Tax Increment Financing (TIF)	0	0	0	0	0	0	0
18 Grant Disallowances	0	0	0	0	0	0	0
19 Cash Reserve (Budgeted Contingency)	0	0	0	0	0	0	0
20 Tobacco Trust Fund (Program Funds)	0	0	0	0	0	0	0
21 Tobacco Trust Fund (Investment Funds)	0	0	0	0	0	0	0
22 Operating Costs of Capital	0	0	0	0	0	0	0
23 Deposit into the Emergency Reserve Fund (4%)	0	0	0	0	0	0	0
24 Deposit into the Contingency Reserve Fund (3%)	0	0	0	0	0	0	0
25 Total General Fund Expenditures	3,828,614	3,828,614	3,828,614	3,828,614	3,828,614	3,828,614	3,828,614
26 Operating Margin, Budget Basis	0	0	0	0	0	0	0
Repayment of General Fund Debt							
27 Repayment of General Fund Debt	100,000	100,000	100,000	100,000	100,000	100,000	100,000
28 Operating Margin, Budget Basis	10,884	10,884	10,884	10,884	10,884	10,884	10,884
29 Projected GAAP Adjustments (Net)	(21,050)	(21,050)	(21,050)	(21,050)	(21,050)	(21,050)	(21,050)
30 Deposits into 4% & 3% Reserve Funds (From Fund Balance)	0	0	0	0	0	0	0
31 Deposits into 4% & 3% Reserve Funds (To Cash Resources)	0	0	0	0	0	0	0
32 Unspent TIF Reserve	1,540	1,540	1,540	1,540	1,540	1,540	1,540
33 Fund Balance Use	(228,884)	(228,884)	(228,884)	(228,884)	(228,884)	(228,884)	(228,884)
34 Total General Fund Balance	607,367	722,042	720,007	670,911	670,911	670,911	670,911
Composition of Fund Balance							
35 Emergency Cash Reserve Balance (4%)	145,029	162,081	162,081	178,591	181,222	181,189	186,522
36 Contingency Cash Reserve Balance (3%)	108,771	122,318	122,318	124,520	126,761	141,881	147,400
37 Fund Balance not in Emergency & Contingency Reserves	353,567	437,643	435,608	367,800	362,948	347,941	336,989
38 Total General Fund Balance (Line 34)	607,367	722,042	720,007	670,911	670,911	670,911	670,911

10. - 15. Agency Expenditures. These items reflect agency expenditures by appropriation title. The growth of expenditures in the out-years is based on growth assumptions that are discussed in the Operating Expenditures chapter.

16. Financing and Other. Includes Repayment of Debt, Short-Term Borrowings, Certificate of Participation, and other items in this appropriation title that are not specifically shown in lines 17 through 21.

17. Tax Increment Financing (TIF). Beginning in FY 2004, the District budgeted for a reserve against potential revenue shortfalls within the TIF program.

18. Grant Disallowances. For FY 2004, the District budgeted for repayment to the federal government of prior years' Medicaid reimbursements received by the District for costs ultimately determined, by audit, to be ineligible for Medicaid.

19. Cash Reserve (Budgeted Contingency). The District is required to budget for a cash reserve of \$50 million each year, to provide budgetary stability in the absence of the budgeted reserve, which was eliminated after FY 2003.

20. - 21. Tobacco Trust Fund. These two line

items reflect contributions to the Tobacco Trust Fund from the debt service relief that the District achieved from the prepayment of bonds with proceeds from securitized tobacco settlement funds. The proposed financial plan does not include future contributions to the Fund but does include funding for tobacco cessation programs, beginning in FY 2006, shown on line 20.

22. Operating Costs of Capital and Lease Purchases. An estimate of future operating costs as capital projects currently underway are brought on-line starting in FY 2006, with an additional \$20 million in FY 2008 for lease purchase arrangements associated with development of new government facilities, including a mental health hospital.

23. - 24. Deposits into the Emergency and Contingency Reserve Funds. Beginning in FY 2005, the District will budget for the amounts required to be deposited into the Emergency Reserve Fund and the Contingency Reserve Fund. See the discussion on page 3-9.

25. Total General Fund Expenditures. The sum of lines 10 through 24.

26. Operating Margin, Budget Basis. The difference between Total General Fund Resources and Expenditures (lines 9 and 25).

Fund Balance, GAAP Adjustments and Transfers

Table 3-9
FY 2005 - FY 2008 Proposed Budget and Financial Plan: General Fund
(In thousands)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenue	Actual	Approved	Revised	Proposed	Projected	Projected	Projected
1 Taxes	2,262,274	2,329,919	2,441,217	2,526,720	2,622,285	2,719,806	2,822,275
2 General Purpose Non-Tax Revenues	315,789	330,201	336,672	352,447	364,659	378,940	394,290
3 Special Purpose (ID-type) Revenues	164,125	181,943	191,943	208,624	212,023	215,152	218,448
4 Transfer from Lottery	22,652	29,225	29,225	22,100	22,100	22,100	22,100
5 General Fund Revenues	2,764,839	2,871,388	2,999,057	3,130,891	3,221,167	3,336,098	3,457,113
6 Fund Balance Use	21,537	140,693	182,018	189,621	9,710	9,710	9,710
7 Revenue Enhancements	0	38,760	0	87,301	151,130	204,816	245,145
8 Transfer from Federal and Private Resources	0	0	0	0	5,000	5,000	5,000
9 Total General Fund Revenues	2,764,839	3,050,141	3,181,075	3,408,194	3,587,313	3,756,624	3,962,368
Expenditures by Appropriation Title							
10 Governmental Direction and Support	209,884	226,974	241,974	254,928	269,263	284,922	304,988
11 Economic Development and Regulation	155,224	165,448	181,148	222,458	156,956	181,308	195,333
12 Public Safety and Justice	659,479	720,660	747,880	799,455	814,242	841,174	869,524
13 Public Education System	916,725	980,916	1,018,916	1,057,288	1,085,585	1,112,888	1,141,388
14 Human Support Services	1,262,711	1,399,888	1,537,688	1,525,858	1,277,739	1,228,559	1,282,313
15 Public Works	388,968	407,978	419,978	425,948	435,735	447,218	461,389
16 Financing and Other	322,481						
17 Tax Increment Financing (TIF)	0						
18 Grant Disallowances	0						
19 Cash Reserve Budgetary Contingent	0						
20 Tobacco Trust Fund (Program Funds)	0						
21 Tobacco Trust Fund (Investment Funds)	0						
22 Operating Costs of Capital	0						
23 Deposit into the Emergency Reserve Fund (5%)	0						
24 Deposit into the Contingency Reserve Fund (5%)	0						
25 Total General Fund Expenditures	3,129,122						
26 Operating Margin, Budget Basis	635,717						
27 Beginning General Fund Balance	666,528						
28 Operating Margin, Budget Basis	53,884	1,838	62,576	1,703	6,563	23,270	34,197
29 Projected GAAP Adjustments (Net)	(21,855)	(29,899)	(24,000)	(20,800)	(20,000)	(20,000)	(20,000)
30 Deposits into 4% & 3% Reserve Funds (From Fund Balance)	0	(31,889)	(31,889)	0	0	0	0
31 Deposits into 4% & 3% Reserve Funds (To Cash Reserves)	0	31,889	31,889	17,382	5,472	22,486	12,854
32 Unspent TIF Reserve	0	1,940	1,940	9,710	9,710	9,710	9,710
33 Fund Balance Use	0	(189,800)	(189,800)	(189,800)	(9,710)	(9,710)	(9,710)
34 Ending General Fund Balance	667,387	702,642	769,387	878,881	971,263	1,071,882	1,184,683
Compositions of Fund Balance							
35 Emergency Cash Reserve Balance (4%)	145,029	162,891	182,891	178,591	181,922	189,188	196,533
36 Contingency Cash Reserve Balance (5%)	188,771	192,218	192,218	192,458	126,741	141,391	147,880
37 Fund Balance in Emergency & Contingency Reserves	333,800	355,109	375,109	371,049	308,663	330,579	344,413
38 Ending General Fund Balance (Line 34)	667,387	702,642	769,387	878,881	971,263	1,071,882	1,184,683

FY 2005 Proposed Budget and Financial Plan
3-12

27. Beginning General Fund Balance. Shows the accumulated fund balance at the beginning of the fiscal year, which is identical to the end of year fund balance for the previous fiscal year.

28. Operating Margin, Budget Basis. Restatement of line 26.

29. Projected GAAP Adjustments (Net). GAAP adjustments are year-end adjustments necessary to properly report the ending fund balance on an accounting basis by converting budgeted activity to resources earned and used in the current fiscal year. This includes items such as fund balance released from restrictions, current year purchases used to build up ending inventory levels, and the current year net consumption of inventories purchased in prior years.

30. Deposits into 4% and 3% Reserve Funds (From Fund Balance). In FY 2004, funds will be moved from the fund balance into the Emergency and Contingency Reserve Funds. Beginning in FY 2005, these funds will be budget items, as displayed on lines 23 and 24. See the discussion on page 3-9.

31. Deposits into 4% and 3% Reserve Funds (To Cash Reserves). Shows that funds deposited into the reserve funds remain in the General Fund balance. For FY 2004, this is the amount on line 30; beginning in FY 2005, this is the amounts on lines 23 and 24.

32. Unspent TIF Reserve. The amount on line 17 is added back to the General Fund balance, under the assumption that revenues from the TIF program will be sufficient and thus the reserve will not be spent.

33. Fund Balance Use. The amount of prior-year fund balance that is used in the current year (line 6) must be subtracted when calculating the current year-end fund balance.

34. Ending General Fund Balance. Shows the sum of the beginning fund balance, the budget-basis operating margin, and GAAP and other adjustments (lines 27 through 33).

Discussion: Fund Balance

The fund balance reflects the cumulative earnings of the District. At the end of each fiscal year, fund balance adjustments are made to show the

effects of the current year's financial transactions. Year-end adjustments are made so the financial statements are presented in accordance with GAAP. Implementing accounting pronouncement 34 of the Government Accounting Standards Board (GASB 34) resulted in a significant restatement of the FY 2002 fund balance at October 1, 2001.

The general fund balance has two major components: (1) reserved and (2) unreserved. The unreserved fund balance is apportioned further into designated and undesignated components. Figure 3-3 shows the components of the District's General Fund balance.

Reserved Fund Balance

To use reserved fund balance items, the District must have approval from the external entity that has imposed the restriction. The reserved balance has been dominated historically by bond escrow, that is, accumulated cash that the District is required to maintain for debt service payments in the coming year. More recently, the reserved

balance has been dominated by the congressionally mandated Emergency and Contingency (cash) Reserves.

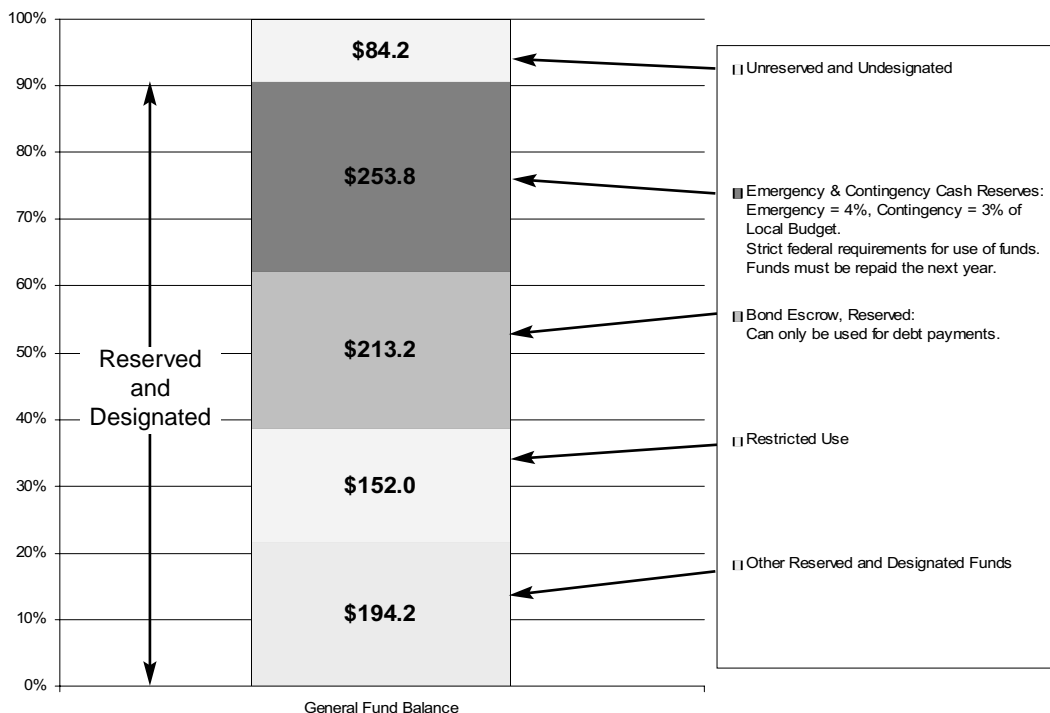
Unreserved Fund Balance

Unreserved but Designated Fund Balance. The designated component of the fund balance contains items that have been purpose restricted by the legislative or executive branch of the District government.

Unreserved and Undesignated Fund Balance. Those items that fall into this category have neither internal nor external claims against them. Unlike most large cities, the District is prohibited from accessing these funds.

Comprising elements of budgeting and accounting, the financial plan reflects GAAP adjustments as well as transfers between fund balance and cash reserves that do not affect the budget basis operating margin. Hence, these items are sometimes referred to as "below-the-line" adjustments because they are outside of the budget but impact the District's financial statements.

Figure 3-3
Composition of General Fund Balance, September 30, 2003



Composition of Fund Balance

Revenue	FY 2003 Actual	FY 2004 Approved	FY 2004 Revised	FY 2004 Proposed	FY 2004 Projected	FY 2007 Projected	FY 2008 Projected
1 Taxes	3,293,374	3,339,913	3,441,217	3,628,730	3,822,365	3,978,086	4,122,775
2 General Purpose Non-Tax Revenues	315,180	289,291	286,872	292,447	284,889	289,949	286,299
3 Special Purpose (Special) Revenues	164,125	191,942	191,942	208,624	212,822	215,152	218,448
4 Transfer from Lottery	22,956	28,308	28,308	21,188	21,188	21,188	21,188
5 General Fund Revenues	3,800,229	3,809,132	3,868,239	4,150,991	4,341,472	4,494,375	4,650,010
6 Fund Balance Use	21,527	149,393	182,818	189,821	9,716	9,716	9,716
7 Revenue Enhancements	0	28,760	0	87,281	151,138	268,816	245,148
8 Transfer from Federal and Private Resources	0	0	0	6,281	6,582	6,883	6,837
9 Total General Fund Revenues	3,800,229	4,076,111	4,172,080	4,404,394	4,587,229	4,779,084	4,901,289
Expenditures By Appropriation Title							
10 Governmental/Discretion and Support	209,864	226,974	241,874	304,928	286,283	294,922	304,008
11 Economic Development and Regulation	135,224	185,446	187,746	222,456	156,956	161,626	165,323
12 Public Safety and Justice	658,479	720,689	747,889	798,455	814,242	841,174	869,924
13 Public Education System	919,726	990,816	1,018,816	1,097,288	1,085,565	1,112,888	1,145,388
14 Human Support Services	1,262,711	1,398,888	1,337,888	1,235,858	1,277,799	1,328,556	1,382,313
15 Public Works	306,688	321,772	319,373	325,940	332,735	347,218	361,389
16 Financing and Other	222,491	398,895	399,995	484,144	514,243	570,462	608,279
17 Tax Incremental Financing (TIF)	0	1,940	1,940	9,718	9,718	9,718	9,718
18 Grant Disbursements	0	57,800	57,800	0	0	0	0
19 Cash Reserve (Budgeted Contingency)	0	50,000	50,000	50,000	50,000	50,000	50,000
20 Tobacco Trust Fund (Program Funds)	0	0	0	0	2,808	4,000	6,000
21 Tobacco Trust Fund (Investment Funds)	0	0	0	0	0	0	0
22 Operating Costs of Capital	0	0	0	0	5,000	10,000	15,000
23 Deposit into the Emergency Reserve Fund (4%)	0	0	0	15,500	2,221	7,386	7,345
24 Deposit into the Contingency Reserve Fund (3%)	0	0	0	2,221	2,221	15,138	15,138
25 Total General Fund Expenditures	5,215,172	6,077,272	6,106,672	6,012,861	6,012,861	6,208,186	6,401,186
26 Operating Margin, Budget Basis	12,057	132,839	65,408	391,533	574,368	570,900	499,103
Composition of Fund Balance							
27 Beginning General Fund Balance	688,250	0	0	0	0	0	0
28 Operating Margin, Budget Basis	52,684						
29 Proposed GAAP Adjustments (Net)	(21,655)						
30 Deposits into 4% & 3% Reserve Funds (From Fund Balance)	0						
31 Deposits into 4% & 3% Reserve Funds (To Cash Reserve)	0						
32 Unspent TIF Reserve	0						
33 Fund Balance Use	0						
34 Ending General Fund Balance	697,867	702,042	700,807	679,281	671,839	697,002	694,000
Composition of Fund Balance							
35 Emergency Cash Reserve Balance (4%)	145,929	163,091	163,091	178,591	181,822	189,188	196,533
36 Contingency Cash Reserve Balance (3%)	108,771	122,318	122,318	124,520	126,761	141,891	147,400
37 Fund Balance not in Emergency & Contingency Reserves	443,167	416,633	415,400	376,170	363,256	356,923	350,067
38 Ending General Fund Balance (Line 34)	697,867	702,042	700,807	679,281	671,839	697,002	694,000

35. Emergency Cash Reserve Balance (4%).

The District was required to establish an Emergency Reserve equal, by the end of FY 2004, to four percent of the District's Local expenditures. The requirement was satisfied in FY 2002. Beginning in FY 2004, the District increased the base used for the calculation to include the full General Fund budget, that is, Local funds plus Special Purpose Revenues.

36. Contingency Cash Reserve Balance (3%).

The District was required to establish a Contingency Reserve equal, by the end of FY 2007, to three percent of the District's Local expenditures. The requirement was satisfied in FY 2002. As with the Emergency Reserve, the base includes the General Fund budget beginning in FY 2004.

37. Fund Balance not in Emergency and Contingency Reserves.

Reflects the portion of the fund balance that is not composed of the two cash reserve funds. This line item does not reflect available funds, because there are several other restrictions on the District's fund balance in addition to cash reserve balances, such as bond escrow. Fund balance restrictions are addressed thoroughly in the District's Comprehensive Annual Financial Report.

38. Ending General Fund Balance.

Reflects the sum of lines 35 through 37, representing the various components of the fund balance.

Discussion: Filling the Emergency and Contingency Reserves

The District was required to fill the Emergency Reserve at four percent of its local budget by the end of FY 2004 and to fill the Contingency Reserve at three percent by the end of FY 2007. In FY 2002, the District filled both funds to the combined level of seven percent, or \$248.7 million. This seven-percent level was maintained in FY 2003 and will be maintained in FY 2004 as well.

Beginning in FY 2005, the District will allow the Contingency Reserve to grow only by the interest it earns, which is required to remain in

the reserve. For both FYs 2005 and 2006, this will keep the Contingency Reserve above its required level—one percent and two percent, respectively, of each year's budget. In FY 2007, the District will make a deposit to reach the three percent level. For all years, the District will maintain the Emergency Reserve at its four-percent target.

Table 3-1 summarizes the District's reserves. It displays the difference between (a) maintaining the Contingency Reserve at three percent, and (b) letting it grow only with its interest earnings, for FYs 2005 and 2006.

Table 3-1
FY 2003 - FY 2008 Reserve Summary

(\$ millions)

	FY 2003 Actual	FY 2004 Approved	FY 2005 Proposed	FY 2006 Projected	FY 2007 Projected	FY 2008 Projected
a General Fund Budget (line 25 less lines 23 + 24)	(1)	4,077.3	4,464.8	4,545.6	4,729.7	4,933.3
b Budgeted Reserve	70.0	0.0	0.0	0.0	0.0	0.0
Cash Reserves:						
c Emergency and Contingency Cash Reserves (lines d + f)	253.8	285.4	303.1	308.6	331.1	345.3
d Emergency Reserve (4%)	145.0	163.1	178.6	181.8	189.2	197.3
e Contingency Reserve (if 3% target maintained)	108.8	122.3	133.9	136.4	141.9	148.0
f Contingency Reserve (actual and proposed)	108.8	122.3	124.5	126.8	141.9	148.0
g Cash Reserve (Budgeted Contingency) (2)	0.0	50.0	50.0	50.0	50.0	50.0
h Total Cash Reserves (lines c + g)	253.8	335.4	353.1	358.6	381.1	395.3

(1) For FY 2003, the calculation was based on the Local funds budget. Beginning in FY 2004, the calculation is based on the General Fund budget.

(2) This represents the Cash Reserve that is budgeted at the beginning of each fiscal year. The District may spend from this fund for authorized uses during the year.

Note: Details may not add to totals due to rounding.

Table 3-2

FY 2005 - FY 2008 Proposed Budget and Financial Plan: General Fund

(\$ thousands)

	Revenues	FY 2003 Actual	FY 2004 Approved	FY 2004 Adjusted	FY 2005 Proposed	FY 2006 Projected	FY 2007 Projected	FY 2008 Projected
1	Taxes	3,293,374	3,339,913	3,441,217	3,628,730	3,822,365	3,978,086	4,122,775
2	General Purpose Non-Tax Revenues	315,780	289,201	286,672	292,447	284,699	289,940	286,290
3	Special Purpose (O-type) Revenues	164,125	191,943	191,943	208,624	212,023	215,152	218,448
4	Transfer from Lottery	<u>72,050</u>	<u>70,200</u>	<u>70,200</u>	<u>71,100</u>	<u>71,100</u>	<u>71,100</u>	<u>71,100</u>
5	General Fund Revenues	3,845,329	3,891,257	3,990,032	4,200,901	4,390,187	4,554,278	4,698,613
6	Fund Balance Use	21,527	149,093	182,018	189,621	9,710	9,710	9,710
7a	Revenue Enhancements	0	38,760	0	87,301	127,130	127,687	128,145
7b	Suspension of Tax Parity	0	0	0	0	24,000	77,129	117,000
8	Transfer from Federal and Private Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,361</u>	<u>6,502</u>	<u>6,660</u>	<u>6,827</u>
9	Total General Fund Resources	3,866,856	4,079,110	4,172,050	4,484,184	4,557,529	4,775,464	4,960,295
Expenditures (by Appropriation Title)								
10	Governmental Direction and Support	209,864	226,974	241,074	304,928	286,283	294,922	304,008
11	Economic Development and Regulation	135,234	185,446	187,146	222,456	156,956	161,026	165,333
12	Public Safety and Justice	659,479	735,660	747,060	790,455	814,242	841,114	869,934
13	Public Education System	916,725	990,016	1,018,016	1,057,288	1,085,585	1,112,688	1,141,368
14	Human Support Services	1,262,711	1,109,608	1,137,608	1,235,858	1,277,799	1,328,559	1,382,313
15	Public Works	306,668	321,773	319,373	325,940	333,735	347,218	361,389
16	Financing and Other	322,491	398,855	399,955	468,144	524,243	570,462	608,279
17	Tax Increment Financing (TIF)	0	1,940	1,940	9,710	9,710	9,710	9,710
18	Grant Disallowances	0	57,000	57,000	0	0	0	0
19	Cash Reserve (Budgeted Contingency)	0	50,000	300	50,000	50,000	50,000	50,000
20	Tobacco Trust Fund (Program Funds)	0	0	0	0	2,000	4,000	6,000
21	Tobacco Trust Fund (Investment Funds)	0	0	0	0	0	0	0
22	Operating Costs of Capital and Lease Purchases	0	0	0	0	5,000	10,000	35,000
23	Deposit into the Emergency Reserve Fund (4%)	0	0	0	15,500	3,231	7,366	8,145
24	Deposit into the Contingency Reserve Fund (3%)	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,202</u>	<u>2,241</u>	<u>15,130</u>	<u>6,109</u>
25	Total General Fund Expenditures	3,813,172	4,077,272	4,109,472	4,482,481	4,551,026	4,752,194	4,947,588
26	Operating Margin, Budget Basis	53,684	1,838	62,578	1,703	6,503	23,270	12,707
27	Beginning General Fund Balance	865,328	897,357	897,357	759,857	579,351	571,326	597,092
28	Operating Margin, Budget Basis	53,684	1,838	62,578	1,703	6,503	23,270	12,707
29	Projected GAAP Adjustments (Net)	(21,655)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
30	Deposits into 4% & 3% Reserve Funds (From Fund Balance)	(5,069)	(31,609)	(31,609)	0	0	0	0
31	Deposits into 4% & 3% Reserve Funds (To Cash Reserves)	5,069	31,609	31,609	17,702	5,472	22,496	14,254
32	Unspent TIF Reserve	0	1,940	1,940	9,710	9,710	9,710	9,710
33	Fund Balance Use	<u>0</u>	<u>(149,093)</u>	<u>(182,018)</u>	<u>(189,621)</u>	<u>(9,710)</u>	<u>(9,710)</u>	<u>(9,710)</u>
34	Ending General Fund Balance	897,357	732,042	759,857	579,351	571,326	597,092	604,053
Composition of Fund Balance								
35	Emergency Cash Reserve Balance (4%)	145,029	163,091	163,091	178,591	181,822	189,188	197,333
36	Contingency Cash Reserve Balance (3%)	108,771	122,318	122,318	124,520	126,761	141,891	148,000
37	Fund Balance not in Emergency & Contingency Reserves	<u>643,557</u>	<u>446,633</u>	<u>474,448</u>	<u>276,240</u>	<u>262,743</u>	<u>266,013</u>	<u>258,720</u>
38	Ending General Fund Balance (Line 34)	897,357	732,042	759,857	579,351	571,326	597,092	604,053

Table 3-3

Local Funds Component of the General Fund Financial Plan

(\$ thousands)

		FY 2003 Actual	FY 2004 Approved	FY 2004 Adjusted	FY 2005 Proposed	FY 2006 Projected	FY 2007 Projected	FY 2008 Projected
Revenues								
1	Taxes	3,293,374	3,339,913	3,441,217	3,628,730	3,822,365	3,978,086	4,122,775
2	General Purpose Non-Tax Revenues	315,780	289,201	286,672	292,447	284,699	289,940	286,290
4	Transfer from Lottery	<u>72,050</u>	<u>70,200</u>	<u>70,200</u>	<u>71,100</u>	<u>71,100</u>	<u>71,100</u>	<u>71,100</u>
5	General Fund Revenues (Local)	3,681,204	3,699,314	3,798,089	3,992,277	4,178,164	4,339,126	4,480,165
6	Fund Balance Use	1,802	96,498	129,423	80,000	9,710	9,710	9,710
7a	Revenue Enhancements	0	38,760	0	95,755	133,674	137,382	140,533
7b	Suspension of Tax Parity	0	0	0	0	24,000	77,129	117,000
8	Transfer from Federal and Private Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,361</u>	<u>6,502</u>	<u>6,660</u>	<u>6,827</u>
9	Total General Fund Resources (Local)	3,683,006	3,834,572	3,927,512	4,174,393	4,352,050	4,570,007	4,754,235
Expenditures (by Appropriation Title)								
10	Governmental Direction and Support	199,089	206,824	220,924	258,257	265,930	274,061	282,610
11	Economic Development and Regulation	56,520	53,336	55,036	55,584	57,049	58,662	60,362
12	Public Safety and Justice	646,732	716,715	728,115	765,324	795,709	822,067	850,344
13	Public Education System	909,354	962,941	990,941	1,048,316	1,076,455	1,103,331	1,131,773
14	Human Support Services	1,242,888	1,085,277	1,113,277	1,208,418	1,251,384	1,301,392	1,354,354
15	Public Works	293,952	308,029	305,629	299,826	312,173	325,324	339,146
16	Financing and Other	322,491	390,672	391,772	459,554	514,666	565,692	607,977
17	Tax Increment Financing (TIF)	0	1,940	1,940	9,710	9,710	9,710	9,710
18	Grant Disallowances	0	57,000	57,000	0	0	0	0
19	Cash Reserve (Budgeted Contingency)	0	50,000	300	50,000	50,000	50,000	50,000
20	Tobacco Trust Fund (Program Funds)	0	0	0	0	2,000	4,000	6,000
21	Tobacco Trust Fund (Investment Funds)	0	0	0	0	0	0	0
22	Operating Costs of Capital and Lease Purchases	0	0	0	0	5,000	10,000	35,000
23	Deposit into the Emergency Reserve Fund (4%)	0	0	0	15,500	3,231	7,366	8,145
24	Deposit into the Contingency Reserve Fund (3%)	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,202</u>	<u>2,241</u>	<u>15,130</u>	<u>6,109</u>
25	Total General Fund Expenditures (Local)	3,671,026	3,832,734	3,864,934	4,172,690	4,345,548	4,546,736	4,741,528
26	Operating Margin, Budget Basis	11,980	1,838	62,578	1,703	6,503	23,270	12,707

Table 3-4

Special Purpose Revenue Component of the General Fund Financial Plan

(\$ thousands)

		FY 2003 Actual	FY 2004 Approved	FY 2004 Adjusted	FY 2005 Proposed	FY 2006 Projected	FY 2007 Projected	FY 2008 Projected
Revenues								
3	Special Purpose (O-type) Revenues	164,125	191,943	191,943	208,624	212,023	215,152	218,448
5	General Fund Revenues (Special Purpose)	164,125	191,943	191,943	208,624	212,023	215,152	218,448
6	Fund Balance Use	19,725	52,595	52,595	109,621	0	0	0
7a	Revenue Enhancements	<u>0</u>	<u>0</u>	<u>0</u>	<u>(8,454)</u>	<u>(6,544)</u>	<u>(9,695)</u>	<u>(12,388)</u>
9	Total General Fund Resources (Special Purpose)	183,850	244,538	244,538	309,791	205,479	205,457	206,060
Expenditures (by Appropriation Title)								
10	Governmental Direction and Support	10,775	20,151	20,151	46,671	20,354	20,860	21,398
11	Economic Development and Regulation	78,714	132,110	132,110	166,873	99,907	102,364	104,972
12	Public Safety and Justice	12,747	18,945	18,945	25,131	18,533	19,047	19,590
13	Public Education System	7,371	27,075	27,075	8,972	9,130	9,356	9,596
14	Human Support Services	19,823	24,330	24,330	27,441	26,415	27,166	27,959
15	Public Works	12,716	13,744	13,744	26,114	21,562	21,894	22,244
16	Financing and Other	<u>0</u>	<u>8,184</u>	<u>8,184</u>	<u>8,590</u>	<u>9,577</u>	<u>4,770</u>	<u>302</u>
25	Total General Fund Expenditures (Special Purpose)	142,146	244,538	244,538	309,791	205,479	205,457	206,060
26	Operating Margin, Budget Basis	41,704	0	0	0	0	0	0

Fund Structure

The General Fund, as discussed above, is one of many funds that capture the District's financial activities. Other funds and reporting entities, both governmental and non-governmental, are included in the District's CAFR and are discussed below. The primary categories are:

- Governmental Funds,
- Proprietary Funds,
- Fiduciary Funds, and
- Component Units.

Each year, the District publishes four budget volumes, two covering the operating budget and two covering the capital budget. The operating budget includes revenues and expenditures in the General Fund and the Federal and Private Resources Fund. These two operating budget funds, plus two capital funds and two non-major funds, are considered governmental funds. In addition, the District's finances reflect a number of other entities that are considered non-governmental, including Proprietary Funds, Fiduciary Funds, and Component Units, some of which are discussed in the operating budget volumes.

Governmental Funds

Governmental Funds consist of two operating, two capital, and two special revenue funds.

Operating Funds

The District's operating budget is the primary focus of this budget volume and the Operating Appendices volume. The operating budget has a variety of funding sources and has two components: the General Fund and the Federal and Private Resources Fund.

General Fund:

Local Funds are the District's primary source of revenue.

- All of the District's tax receipts, the largest of which are income taxes, sales taxes, and property taxes, go into Local Funds.
- In addition, certain non-tax revenues (those fines, fees, and miscellaneous revenues not dedicated for a particular agency's use) are part of Local Funds.
- Finally, an annual transfer from the Lottery goes into Local Funds.

Local Funds totaled \$3.835 billion of revenues and \$3.833 billion of expenditures in the FY 2004 approved budget.

Dedicated Non-Tax Revenues are collected by District agencies and, by law, are dedicated to support the functions those agencies perform. Examples include certain fees and permit charges that the public pays for and whose proceeds are used by the agency to carry out operations in that same area. Some agencies retain unused revenues collected in a given fiscal year in the dedicated portion of the Fund Balance. They are allowed to spend those revenues, if they receive appropriation authority to do so, in a succeeding year. Dedicated Non-Tax Revenues in the FY 2004 approved budget totaled \$244.5 million, consisting of \$191.9 million from projected FY 2004 revenue and \$52.6 million from use of Fund Balance, that is, revenues collected in prior years that were retained by the agencies.

Federal and Private Resources Fund:

- Federal Grants are grants the District receives from federal agencies, including block grants, formula grants, certain entitlements, and competitive grants.
- Federal Payments are direct appropriations from the Congress to the District, usually to a particular District agency for a particular purpose.
- Federal Medicaid Payments are the federal share of the District's Medicaid costs. Generally, the federal government pays 70 percent of the cost of Medicaid while the District pays 30 percent, although the proportions differ in certain circumstances.
- Private Grants are grants the District receives from non-Federal sources. This category includes private donations.

Table 3-5 displays a summary financial plan for the Federal and Private Resources Fund. The line items are as follows:

F1. Federal Grants. Federal grant awards received by District agencies.

F2. Federal Payments. Funding contributed by the federal government for specific projects.

These funds are restricted in use by the federal government.

F3. Private Grants. Revenues received from private grants.

F4. Federal and Private Resources.

F5. Fund Balance Use. Reflects amounts previously contained in the fund balance that have been released for use in the current year.

F6. Transfer to General Fund. Funds used to pay for indirect costs, as shown on line 8 of the General Fund financial plan.

F7. Total Federal and Private Resources.

F8. – F14. Agency Expenditures. These items reflect agency expenditures by appropriation title. The growth of expenditures in the out-years is based on growth assumptions that are discussed in the Operating Expenditures chapter.

F15. Total Federal and Private Resources Fund Expenditures.

F16. Operating Margin, Budget Basis. This line provides the difference between Total Federal and Private Resources and Total Federal and Private Expenditures.

F17. - F21. Fund Balance Calculations.

Table 3-5
Federal and Private Resources Financial Plan
(\$ thousands)

		FY 2003 Actual	FY 2004 Approved	FY 2004 Adjusted	FY 2005 Proposed	FY 2006 Projected	FY 2007 Projected	FY 2008 Projected
Revenues								
F1	Federal Grants	1,437,899	1,548,867	1,779,932	1,722,751	1,790,067	1,872,182	1,959,219
F2	Federal Payments	94,043	80,124	126,358	33,300	0	0	0
F3	Private Grants	<u>9,102</u>	<u>13,064</u>	<u>14,114</u>	<u>13,314</u>	<u>13,636</u>	<u>13,993</u>	<u>14,370</u>
F4	Federal & Private Resources	1,541,044	1,642,055	1,920,404	1,769,365	1,803,703	1,886,175	1,973,589
F5	Fund Balance Use	100,335	0	0	0	0	0	0
F6	<u>Transfer to General Fund</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(6,361)</u>	<u>(6,502)</u>	<u>(6,660)</u>	<u>(6,827)</u>
F7	Total Federal & Private Resources	1,641,379	1,642,055	1,920,404	1,763,004	1,797,201	1,879,515	1,966,762
Expenditures (by Appropriation Title)								
F8	Governmental Direction and Support	97,164	51,130	142,884	101,011	103,153	105,545	108,093
F9	Economic Development and Regulation	89,059	91,202	96,909	93,175	95,419	97,901	100,530
F10	Public Safety and Justice	38,112	12,088	25,271	7,908	6,783	6,976	7,180
F11	Public Education System	177,266	197,848	250,957	172,759	159,455	163,552	167,894
F12	Human Support Services	1,199,338	1,270,100	1,375,587	1,369,152	1,428,304	1,501,356	1,578,775
F13	Public Works	13,562	8,753	13,583	4,000	4,087	4,185	4,289
F14	Financing and Other	<u>10,984</u>	<u>10,935</u>	<u>15,214</u>	<u>15,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
F15	Total Federal & Private Expenditures	1,625,485	1,642,055	1,920,404	1,763,004	1,797,201	1,879,515	1,966,762
F16	Operating Margin, Budget Basis	15,894	0	0	0	0	0	0
F17	Beginning Federal & Private Fund Balance	235,799	150,220	150,220	150,220	150,220	150,220	150,220
F18	Operating Margin, Budget Basis	15,894	0	0	0	0	0	0
F19	Projected GAAP Adjustments (Net)	(1,138)	0	0	0	0	0	0
F20	Fund Balance Use	<u>(100,335)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
F21	Ending Federal & Private Fund Balance	150,220	150,220	150,220	150,220	150,220	150,220	150,220

A Note on Intra-District Budgets:

Intra-District budgets represent agreements between two agencies whereby one agency purchases services from the other. The buying agency spends its own budget (Local, Special Purpose Revenue, Federal, or Private). The selling agency receives this expenditure as intra-District revenue, establishes intra-District budget authority, and spends against that authority to provide the service.

An agency's total "gross funds" budget includes its intra-District budget authority. Because such arrangements appear as expenditures twice, once in each agency, the intra-District totals are excluded from the District-wide calculations of the total "gross funds" budget. They are also excluded from the CAFR totals at the end of the year.

Capital Funds

The District's Capital Budget is the focus of the other two budget volumes. The Capital Budget has two components: the General Capital Improvements Fund and the Highway Trust Fund.

- The General Capital Improvements Fund accounts for all capital projects activity not in the Highway Trust Fund.
- The Highway Trust Fund accounts for capital projects financed entirely or partly by transfers of taxes, fees, capital grants, and other revenue that is dedicated to highway projects.

Special Revenue Funds

Special Revenue Funds account for specific revenue that is legally restricted to expenditures for particular purposes. The District currently has two such funds:

- The Tobacco Settlement Financing Program accounts for activities relating to the tobacco litigation settlement.
- The Tax Increment Financing Program accounts for activities relating to tax increment financing development initiatives.

Proprietary Funds

Proprietary Funds are District units that charge customers for the services provided, whether to

outside customers or to other units of the District. The District has three Proprietary Funds:

- D.C. Lottery and Charitable Games Board, which not only operates and is financed like a private business where net income is key to sound management, but also can finance the costs of its goods and services provided to the public on a continuing basis primarily through user charges. The Lottery accounts for revenue from lotteries and daily numbers games all operated by the District and from licenses to conduct charitable games. The Lottery exists solely to transfer its profits to help finance the General Fund.
- Unemployment Compensation Fund, which accounts for funds used to pay benefits to unemployed former employees of the District, federal government, and private employers within the District. The fund is administered by the Department of Employment Services.
- Non-Major Proprietary Fund, which includes three entities grouped as Nursing Home Services:
 - Washington Center for Aging Services
 - Washington Center for Aging Services Center Care
 - JB Johnson Nursing Center.

Fiduciary Funds

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for private entities, other governments, and/or other District funds. The District's fiduciary funds are:

- Pension Trust Funds, which account for resources used for retirement annuity payments for police officers, firefighters, public school teachers and their survivors. The funds are administered by a thirteen-member Retirement Board.
- Private Purpose Trust Funds, of which the District has one--the College Savings Investment Plan. This plan provides families with tax advantages as they save for college expenses.
- Agency funds, which account for refundable deposits required of various licenses, monies held in escrow, and other assets held by the

District in a purely custodial capacity. The funds are administered by various District agencies.

Component Units

Component Units are legally separate organizations for which the elected officials of the District are financially accountable because their governing bodies are appointed by District officials. Budgets for these entities are presented in section H, Enterprise and Other Funds, of this volume. The District has five discretely presented Component Units:

- D.C. Water and Sewer Authority, which accounts for the provision of water and sewer services to the District, and specific counties in Maryland and northern Virginia.
- Washington Convention Center Authority, which accounts for maintaining and operating the Washington Convention Center for local public shows, civic events, and other activities.
- Sports and Entertainment Commission, which accounts for maintaining and operating the National Guard Armory for nonmilitary events and the Robert F. Kennedy Memorial Stadium and promoting the District as a sporting event site.
- Housing Finance Agency, which accounts for cash received from public and private sources used to alleviate the shortage of housing through a greater supply of and less expensive mortgage and construction loans.
- University of the District of Columbia (UDC), which accounts for resources received and used by the University of the District of Columbia. The unit contains four separate funds groups: Current Funds, Loan Fund, Endowment Fund, and Plant Funds. A budget is prepared for only the Current Funds. This budget is in the Enterprise and Other Funds section; the General Fund includes only the subsidy from Local funds to the University.

Summary of the District's Funds and Units

Table 3-6 displays the District's funds and units, other than the Special Revenue Funds and Fiduciary Funds, and includes projections of balances for many of them. To the extent possible, the estimates use the accounting bases appropriate to each fund or unit. For the units except the University Current Funds, those bases differ from the budget bases by including depreciation expense, not principal repayments and capital expenditures. The Housing Finance Unit reflects only that unit's General Fund exclusive of federal grant pass-throughs. The financial plan for the Water and Sewer Unit is on a cash basis, not the proprietary fund basis used for the other component units.

Table 3-6

Fund Structure and Projected Fund Balances

(\$ thousands)

	Governmental Funds (Budget Basis)				
	Operating Funds			Capital Project Funds	
	General Fund	Federal and Private Resources Fund	Total, Operating (Gross Funds)	General Capital Improvement Fund	Highway Trust Fund
Balance, September 30, 2002, per 2002 CAFR	865,328	235,799		(389,530)	65,985
Operating revenues	3,773,279	1,441,969	5,215,248	258,992	234
Transfers in	72,050	99,075	171,125	26,510	26,808
Other sources	21,527	100,335	121,862	785,622	0
Operating expenditures	(3,714,097)	(1,625,485)	(5,339,582)	(823,398)	(41,393)
Transfers out	(99,075)	0	(99,075)	0	(26,510)
Other uses	0	0	0	0	0
Net GAAP adjustments	(21,655)	(101,473)	(123,128)	n/a	n/a
Balance, September 30, 2003, per 2003 CAFR	897,357	150,220	n/a	(141,804)	25,124
Operating revenues	3,919,832	1,920,404	5,840,236	4,687	
Transfers in	70,200	0	70,200	37,000	46,014
Other sources	182,018	0	182,018	526,163	
Operating expenditures	(4,109,472)	(1,920,404)	(6,029,876)	(530,850)	(46,014)
Transfers out	0	0	0		(37,000)
Other uses	0	0	0		
Net GAAP adjustments	(200,078)	0	(200,078)	n/a	n/a
Projected Balance, September 30, 2004	759,857	150,220	n/a	(104,804)	(11,876)
Operating revenues	4,217,102	1,769,365	5,986,467	8,467	Data not yet available
Transfers in	77,461	0	77,461	37,000	
Other sources	189,621	0	189,621	531,918	
Operating expenditures	(4,482,481)	(1,763,004)	(6,245,485)	(577,385)	
Transfers out	0	(6,361)	(6,361)		
Other uses	0	0	0		
Net GAAP adjustments	(182,209)	0	n/a	n/a	
Projected Balance, September 30, 2005	579,351	150,220	n/a	(104,804)	

Notes: Transfers between funds and component units do not necessarily net to zero. For example, the Washington Convention Center receives a portion of the District's sales tax revenue each year. These revenues appear as a "transfer in" for the Convention Center, but they do not appear as a "transfer out" for the General Fund, because that portion of the sales tax is never recorded as General Fund revenues.

Table 3-6, continued

Proprietary Funds (GAAP Basis)			Component Units (GAAP Basis)				
Lottery and Games Fund	Unemployment Compensation Fund	Nursing Home Services	Water and Sewer Authority	Washington Convention Center	Sports and Entertainment Commission	Housing Finance Agency	University of the District of Columbia
3,485	271,361		754,766	309,275	20,518	75,659	76,951
237,890	107,511	34,385	255,795	9,365	6,985	65,807	37,601
0	0	34,476	0	58,905	0	0	50,544
422	48,321	1,060	42,716	1,002	5,585	9,023	7,164
(166,185)	(165,045)	(34,687)	(215,975)	(45,270)	(12,340)	(32,818)	(92,901)
(72,050)	0	0	0	0	0	0	0
0	0	0	(33,329)	(19,947)	0	(37,458)	0
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3,562	262,148	35,234	803,973	313,330	20,748	80,213	79,359
Data not yet available	128,000	Data not yet available	258,734	13,297	7,244	Data not yet available	93,402
	0		37,645	62,107	0		
	50,321		0	0	0		
	(170,000)		(233,858)	(73,838)	(7,480)		(93,741)
	0		(44,936)	0	0		
	0		0	0	0		
	n/a		n/a	n/a	n/a		n/a
	270,469		821,558	314,896	20,512		79,020
Data not yet available	133,000	Data not yet available	269,319	16,657	6,894	Data not yet available	94,336
	0		40,529	65,087	0		
	51,321		0	0	0		
	(172,000)		(241,708)	(74,970)	(7,152)		(92,804)
	0		(56,471)	0	0		
	0		0	0	0		
	n/a		n/a	n/a	n/a		n/a
	282,790		833,227	321,670	20,254		80,552